



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

July 25, 2002

### Members' Budget Packet for the District Work Period: Squandered Surpluses, Broken Promises

Dear Democratic Colleague:

The House Budget Committee Democratic staff has prepared the attached packet about the budget for your use during the August district work period. In the 18 months since Republicans took the White House, we have witnessed the largest fiscal reversal in our nation's history. In January 2001, the budget picture featured record surpluses, a path to paying off the national debt, and an opportunity to strengthen Social Security for the long term. Just a year and a half later, the Republican budget calls for large deficits, increasing public debt, and spending \$2.0 trillion of the Social Security Trust Fund surplus – even according to the Administration's overly optimistic budget numbers.

In August, the Congressional Budget Office will be issuing its updated budget projections. In the meantime, this packet of materials provides a comprehensive, up-to-date assessment of where key budget issues stand. The major points are summarized below. With each point, there are references to the documents in the package that provide more detailed treatments of individual topics.

- ***Republican Budgets Have Turned Persistent Surpluses Into Chronic Deficits*** — In January 2001, both the Congressional Budget Office (CBO) and the Administration's Office of Management and Budget (OMB) projected total surpluses totaling \$5.6 trillion for 2002-2011. Just last week, OMB projected unified deficits for the next three years, and a ten-year unified surplus of only \$444 billion, a decline of \$5.2 trillion in just 18 months. *For more details, see "Analysis of OMB Mid-Session Review."*
- ***Republicans Have Given Up on Protecting Social Security*** — Last year, the President and House Republican leaders repeatedly reaffirmed the bipartisan commitment to protect every penny of the Social Security Trust Fund surplus. But according to its own numbers, the Administration's budget will now spend at least part of the Social Security surplus every year for the next decade, dissipating \$2.0 trillion over 2002-2011. The text of the Administration's July budget report is totally silent on the subject of addressing Social Security's challenges. *For more details, see "Republicans Have Fallen Silent About Social Security" and "In Their Own Words: Verbatim Quotes About the Budget."*

- ***Republicans' Optimistic Numbers Obscure the Full Extent of the Budget Problem*** — As bad as the Administration's most recent budget report looks, it is based on a number of assumptions that are implausibly optimistic. OMB's revenue projections are highly rosy, and the budget omits or minimizes the cost of policies that the Administration supports. Just two days after the Administration released its Mid-Session Review of the budget, Goldman Sachs characterized the Administration figures as being "far too optimistic," perhaps by as much as \$800 billion. *For more details, see "Wall Street Assesses the Administration's Latest Budget Projections," "Rosy Revenue Assumptions Help Administration to Hit Its Fiscal Targets," and "The Hidden Tax Agenda."*
- ***Republicans Try to Shift the Blame for Their Budget Policies*** — Republicans claim that responsibility for the deterioration of the budget should be assigned primarily to the costs of September 11 and the recession. But spending for the war on terrorism and homeland security is likely to account for only about \$600 billion (12 percent) of the decline in the ten-year surplus, far less than the \$1.5 trillion cost of last year's Republican tax cut. *For more details, see "Tax Cut – Not September 11 – Is the Primary Cause of Budget Deterioration."*
- ***Republicans Deny the Problem and Propose More Tax Cuts that Deepen Deficits*** — Last year, the Republican budget left no margin for error, despite Democratic warnings that costly Republican tax cuts might drive the budget back into deficit. And even after the deterioration of the budget, this year's House Republican budget resolution called for an additional \$27.9 billion in tax cuts over the next five years, a total that the House has already exceeded by more than \$15 billion. Meanwhile, the Administration's budget calls for \$541 billion in tax cuts over the next ten years on top of the tax cuts already signed into law. *For more details, see "The Hidden Tax Agenda."*
- ***Republicans Abandon Plans to Pay Off National Debt*** — In early 2001, the Administration announced that the federal government would pay down all the public debt it could by 2008. In fact, Republicans argued that we faced a danger of paying off too much public debt. At the time, there was a bipartisan consensus to pay down the public debt in order to strengthen the economy, prepare for the retirement of the Baby Boom generation, and reduce interest costs. However, the Administration's July 2002 Mid-Session Review of the budget tells a different story. Even taking into account a host of optimistic assumptions, the Administration projects that the nation's debt will be *higher* at the end of 2007 than it was at the end of 2001. *For more details, see "Paying Down the Public Debt: The Missed Opportunity."*

On the next page, the table of contents lists all of the documents included in this packet. A useful set of budget charts also is included. For your convenience, these charts and all of the attached documents can be found at our website: [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats). Please do not hesitate to contact me or the House Budget Committee Democratic staff with any questions.

Sincerely,

John M. Spratt, Jr.  
Ranking Democratic Member